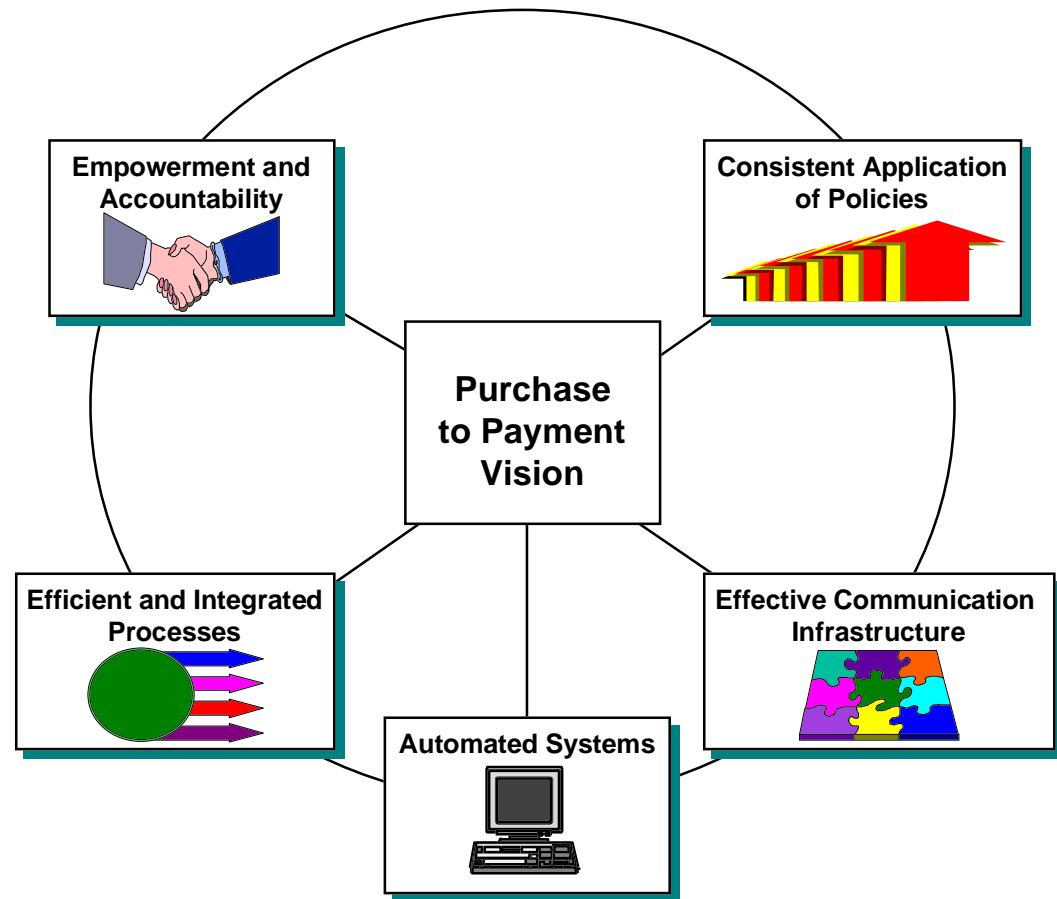**MT PRRIME**

Appendix C
Purchase to Payment Process Vision

Appendix C - Description of the Process Vision - Vision Themes

- The vision is more specifically defined by vision themes which identify the components of the vision.

- Vision attributes describe more specific characteristics of the vision themes.

Empowerment and Accountability

Consistent Application of Policies

Purchase to Payment Vision

Efficient and Integrated Processes

Automated Systems

Effective Communication Infrastructure

Appendix C - Detailed Description of the Process Vision - Vision Themes

Empowerment and Accountability	**Description:** • **Employees involved in the Purchase to Payment Process will be empowered and accountable for their performance.**

Attributes:

• Employees are responsible for making informed decisions in their process activities and will be held accountable.

• Employees ordering goods or services approve the purchases and their approval act as payment authority up to a defined dollar amount.

• Employees trained so that they can meet the requirements of the new responsibilities.

• Managers focus attention on employee performance rather than upon document editing.

• Accountability is provided through managerial access to online data and through exception reporting and processing.

• Agency personnel focus on customer service rather than bureaucratic paperwork.

Benefits/Savings:

• Employees more knowledgeable of the entire process from beginning to end.

• Broader responsibility and continuous training and upgrading providing motivation for State employees.

• Several manual handoffs and approvals eliminated reducing non value-added effort.

• Managers focus on employee development and process improvement.

Appendix C - Detailed Description of the Process Vision - Vision Themes

Automated Systems

Description:

- **The Purchase to Payment Process will be automated to enable online processing from start to finish.**

Attributes:

- Online processing allows for one time entry of data at the point where the information is gathered. This information includes purchase order information, receiving information, vendor performance information and invoicing and payment information.

- Online editing focuses approval processes on the purchase rather than editing for correct format, etc.

- Online processing allows for streamlined controls focused on performance management.

- Online processing provides for online audit trails instead of log books and paper.

- Automated matching, reconciliation, and payment uses captured data from purchase orders, receiving documents, and invoices.

- Automated tracking and management of inventories and fixed assets.

Benefits

- Faster transaction time and less manual processing.

- Active documents such as POs, requisitions, and invoices reduce manual handoffs and allow for electronic database updating.

- Information is shared and duplication reduced- re-keying.

- Elimination of repetitive data entry and error correction activities for employees and vendors.

- Automated matching reduces errors and manual effort.

Appendix C - Detailed Description of the Process Vision - Vision Themes

Efficient and Integrated Processes	Description:
	• **The Purchase to Payment Process will be fully integrated and will demonstrate efficient and streamlined processing with reduced hand-offs and manual reconciliation.**

Attributes:

• Integration between Purchase to Payment allows for one time entry of data and eliminates the need to re-key data in order to get a bill paid.

• Consolidation of payments reduces the number of payments to be made.

• Online contracts and payment terms ensures accurate payments and optimizes cash flow.

• Online processing provides a common reporting format allowing for improved reporting and comparisons.

• EDI and EFT used to integrate the State with vendors for communication of Purchase to Payment information.

Benefits:

• Integration between Purchase to Payment increases efficiency and eliminates manual handoffs reducing processing costs.

• Automated integration between Purchasing, AP and vendors allows for accurate and fast reconciliation and payment, and the reduction of printing and postage costs.

• Paper based transactions, re-keying, and potential for error reduced.

• Faster payment results in more vendor discounts taken.

Appendix C - Detailed Description of the Process Vision - Vision Themes

Effective Communication Infrastructure	Description:
	• **The Purchase to Payment Process will be supported by streamlined access to, and management of, information and an effective, Statewide communication infrastructure.**

Attributes:

- Access to accurate pricing data ensures purchasers get the best price available.
- Online access to purchasing data provides concise information for year-end processing and accruals.
- Historic information allows auditors and others access to processing details, reducing employee need to document and store information.
- Improved and open communication with vendors facilitates the best procurement strategy and techniques.
- Electronic Data Interchange (EDI) allows rapid exchange of purchase orders and invoices.
- Internet enabled processes allow agencies to review and order items, online.
- For selected commodity items, term contracts allows vendors to restock items as needed, and draw payments online.

Benefits:

- Managers able to make decisions based on current and accurate information.
- Ad hoc data query enables online, interactive data analysis and report generation.
- Data is accessible to multiple locations and users while it is managed and maintained centrally.
- Better communication with vendors decreases purchasing costs and improves the vendors understanding of the State's requirements.

Appendix C - Detailed Description of the Process Vision - Vision Themes

Consistent Application of Policies

Description:

- **The Purchase to Payment Process will be supported by consistent, Statewide application of appropriate policies and standards.**
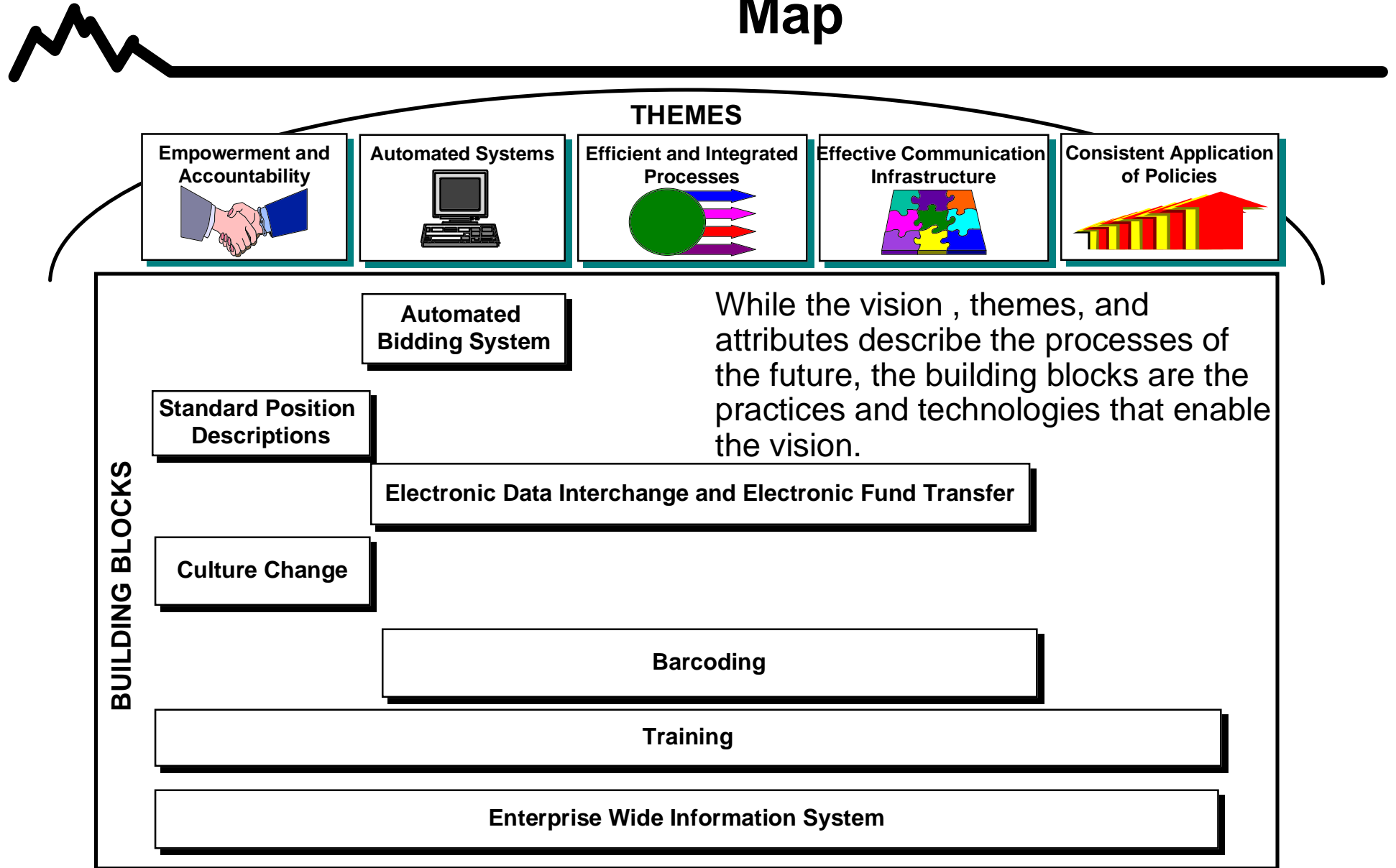
Attributes:

- Consistent Statewide policies created in key areas with agency input.

- Policies provide for systems access to cities and counties enhancing the concept of public sector agencies as partners in governance.

- Polices provide clear direction and consistent processing for both the State and vendors and maximize the potential efficiency of the new system.

- Inventories and fixed assets accounted for in a consistent and cost efficient manner.

Benefits:

- Elimination of purchasing cost and effort for low value purchases.

- Common policies enable better understanding of Statewide issues.

- Redundant processes and systems eliminated reducing costs.

- Outdated policies eliminated.

- Common job descriptions allow employees to move easily from one agency to another.

Appendix C - Building Blocks - Orientation Map

THEMES

Empowerment and Accountability	Automated Systems	Efficient and Integrated Processes	Effective Communication Infrastructure	Consistent Application of Policies

BUILDING BLOCKS

Automated Bidding System

Standard Position Descriptions

While the vision , themes, and attributes describe the processes of the future, the building blocks are the practices and technologies that enable the vision.

Electronic Data Interchange and Electronic Fund Transfer

Culture Change

Barcoding

Training

Enterprise Wide Information System

Appendix C - Building Blocks -
Detailed Description of Building Blocks

Enterprise Wide Information System
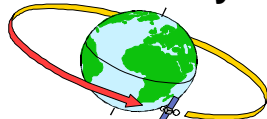
Investments/Costs:

- Included as part of MT PRRIME

- Long term commitment of State resources to implement

- Partnership cooperation between State and implementor

- Significant amount of training of employees on new systems as well as new positions and responsibilities

Description:
- An enterprise wide system enables the State to achieve its objectives by providing a common information and management infrastructure and database for the entire State.

- The Purchase to Payment Modules will enable electronic routing and approval; vendor catalog and management system; online requisitions, purchase orders, receipt notices, and invoices; customized management report generation; automated matching, reconciliation, and payment; online edits and exception reporting; and electronic audit trail.

Assumptions:

- Enterprise wide system would be rolled out and utilized on a Statewide basis.

- Necessary system modules would be implemented to fully integrate all State processes.

Implications:

- Rollout of the enterprise wide system must be coordinated to involve all processes and agencies in order to gain buy in and commitment.

- Management of change and implementation must involve all stakeholder groups.

Appendix C - Building Blocks - Detailed Description of Building Blocks

Employee and Vendor Training

Investments/Costs:

- Included as part of MT PRRIME

- Trainers

- Career counseling

- Vendor training

Description:

- **Major changes as envisioned for the Purchase to Payment Process require a significant amount of training.**

- **Employees will need to be trained in the new technologies, their new roles, the redesigned processes, and the impact of taking on new responsibilities and accountabilities.**

- **All stakeholders including vendors will need to be able to understand the new processes and requirements of the State.**

Assumptions:

- Training will need to be paced with the progress of the implementation.

- Employees will need to be trained in shifts as not all can be away from their responsibilities at the same time.

Implications:

- Some employees will not be able to meet the new requirements or will chose not to undertake the level of change that is required.

- Employees will be absent from their current positions while in training.

Appendix C - Building Blocks -
Detailed Description of Building Blocks

Automated Bidding System

VENDOR 1   STATE   VENDOR 2

BID $2,000

BIDS
V1 - $2,000
V2 - $2,100
V3 - $1,950

BID $2,100
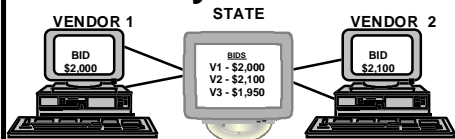
Investments/Costs:

- $200,000

- Training

- Website

- Standards for electronic bids

Description:

- **System used to elicit responses to State requests for proposals and invitations for bids and to provide vendors with electronic access to information on State procurement.**

- **Offers tremendous savings in the labor and paperwork involved in creating and sending out bids.**

- **Ensures that broadest range of potential bidders has access to the information.**

Assumptions:

- Vendors and interested parties have access to the Internet and appropriate computing capabilities.

- All agencies and departments will participate in the program and share the cost.
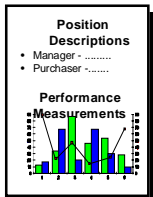

Implications:

- Vendors and State employees will need to be trained on how the system works.

- The roles of the people involved in the production and distribution of bids and State information to vendors will change dramatically.

Appendix C - Building Blocks - Detailed Description of Building Blocks

Standard Position Descriptions and Performance Measurements

Position Descriptions
• Manager - ....
• Purchaser - ....

Performance Measurements

Description:

- **In order to support this dramatic change in the State, new job descriptions will need to be created.**

- **Performance measurements have to be developed to support desired behavior.**

Investments/Costs:

- Included as part of MT PRRIME

- Time to develop the new position descriptions and performance measures

Assumptions:

- Managers will be responsible for measuring and reporting performance as well as mentoring employees needing assistance.

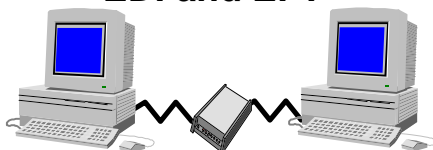- State employees will be held accountable for their performance.

Implications:

- State employees will have to go through a dramatic shift in the way that they function in the Purchase to Payment Process.

- Rewards and career advancement will be dependent upon performance in the process rather than tenure.

Appendix C - Building Blocks -
Detailed Description of Building Blocks

EDI and EFT

Description:

- **Electronic data interchange(EDI) is a set of data-communication standards that allow two or more entities to exchange data in a common electronic format.**

- **For Purchase to Payment Process, EDI will be used to transfer information such as purchase orders, confirmations, bills of lading, and invoices. EFT will be used to transact payments.**

Investments/Costs:

- $2,000,000
- The State currently has the ability to utilize EFT
- EDI will require a commitment of time in setting up the communication standards:
  - 5 FTEs for 20 days at $130 per day =$13,000
- Training State employees and vendors/payees:
  - 40 FTEs for 2 days at $500 per day =$40,000

Assumptions:

- Vendors have the capability to utilize EDI and EFT.

- The State is prepared to make information available to external stakeholders such as vendors.

Implications:
- More timely and accurate processing and elimination of numerous systems.
- Improved management information and cash management will result.
- Data between the State and vendors will need to be in a standard format.

Appendix C - Building Blocks - Detailed Description of Building Blocks

Barcoding

975 4 8 7346 5 66 7 43

Investments/Costs:

- $117,500
- Barcoding equipment
  - $60,000
- Training
  - 30 FTEs for 1 day at $250 per day =$7,500
- Interface with EAS
  - $50,000

Description:

- Barcodes are affixed to fixed assets to enable fast and accurate inventory counts and tracking.
- An electronic system that enables the State to capture information, store information in a central database, and retrieve it quickly, as needed.
- Allows for the automated transfer of information from the barcoded item, such as a fixed asset or inventory, to a central information repository.
- Provides less manual and more accurate accounting of items.

Assumptions:

- Barcoding technology will be used in conjunction with an enterprise wide system to collect information quickly and accurately and place it into the database.
- Information captured on the barcoding system will be accessible on a Statewide basis.

Implications:

- Inventories and fixed assets will be managed with accurate, up-to-date information.
- Consistent standards will need to be developed to ensure a common application across the State.

Appendix C - Building Blocks - Detailed Description of Building Blocks

Culture Change

NEW DIRECTIONS

Investments/Costs:

- $400,000

- Cost to communicate Statewide over the period of the change

- Counseling services

- Culture assessment and intervention

Description:

- **Successful implementation of the many process and technical changes is largely dependent upon how the change is managed and the ability of the change agents to shift the culture of the State.**

- **The major shift in the culture relevant to the Purchase to Payment Process is from the focus on rules and micro activities to a focus on process performance and added responsibilities.**

Assumptions:

- A communication plan will be designed and rolled out to meet the change needs of the various stakeholder groups across the State.

- The process will be continuous understanding that major change requires ongoing management of issues and expectations.

Implications:

- The infrastructure of the State needs to adapt to support the new culture.

- Employees from all stakeholder groups will need to be enrolled in the process to lead their groups into the new culture.

Deloitte & Touche Consulting
Group

Appendix C - Purchase to Payment Process Vision
Page 14

Visioning Final Report
4/15/97

Appendix C - Performance Expectations - Benchmarks and Targets

CURRENT PERFORMANCE	TARGETED PERFORMANCE
Effectiveness • No EDI connection to vendors • No EFT to vendors • No EDI transactions • No automated invoice matching	• 50% Of vendors on EDI connection • 90% Of vendors receiving EFT payments • 50% Of total payments on EDI • 90% Of invoices matched and paid electronically
Customer/User Satisfaction • No measure of on-time delivery • No measure of timely payment • No surveying of customer satisfaction	• 95% On-time delivery • Payments managed to optimize cash management and opportunities for cash discounts • 95% Customer satisfaction
Economy • No measure of discounts taken • 46 FTEs in Accounts Payable	• 100% of appropriate discounts taken • 21 FTEs in Purchasing performing exception based accounts payable activities.

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Appendix C - Performance Expectations - Benchmarks and Targets

CURRENT PERFORMANCE	TARGETED PERFORMANCE

Efficiency
 	
• 12,971 POs per year - any for low value items
• 6500 AP transactions per FTE
• Purchase to Accounts Payable process includes:
   • 9 Handoffs
   • 5 Re-keying
   • 7 Approvals.
 	
• Cost per Purchase Order from preparation to payment is $45
• Cost per non-PO AP is $5
	• Eliminate POs for low value purchases
	
	• 14,000 AP transactions per FTE
	• PO to AP process includes:
	   • Reduced and automated handoffs
	   • Single entry
	   • 1 Approval.
	
	• Eliminate paper Purchase Order, automate processing, electronic matching - $25
	• Automated matching and EFT - $2.50

Appendix C - Quick Wins

Quick Wins have been defined as opportunities that meet the following criteria:

- Can be realized within a short to medium term time-frame (3-6 months for full implementation);
- Do not require legislative changes or approval;
- Do not require fundamental changes to infrastructure, information, systems or position qualifications; and,
- Do not require a significant investment to implement (<$100,000).

The table on the following page indicates a number of quick wins for the Purchase to Payment processes.

Appendix C - Quick Wins

Description	Benefits/ Savings	Investment Required	Timeframe	Barriers/ Risks/ Issues
No POs for Procurement Card items(<$1,000)	$640,000	Training	1 month	Policy/Law
Expand Procurement Card Program to include all purchases from $1 to $1,000	$250,000	Training	1-3 months	Agency Adoption
Expand EFT to 500,000 of the 1,000,000+ payments	$800,000	Training and Marketing	3-6 months	Payee Acceptance
Establish automated bidding and information system(RFP/RFB via the Internet only)	$350,000	Employee and Vendor Training	3-6 months	[4] Vendor Acceptance & Laws
Electronic catalog for Purchasing	1/2% of non contract purchases	Information Collection & Consolidation	3-6 months	Accuracy & Maintenance

Appendix C - Impacts on Stakeholders

Key stakeholders have been identified and are shown in the diagram below. Stakeholder requirements have been used during the visioning phase to identify the requirements for the vision.

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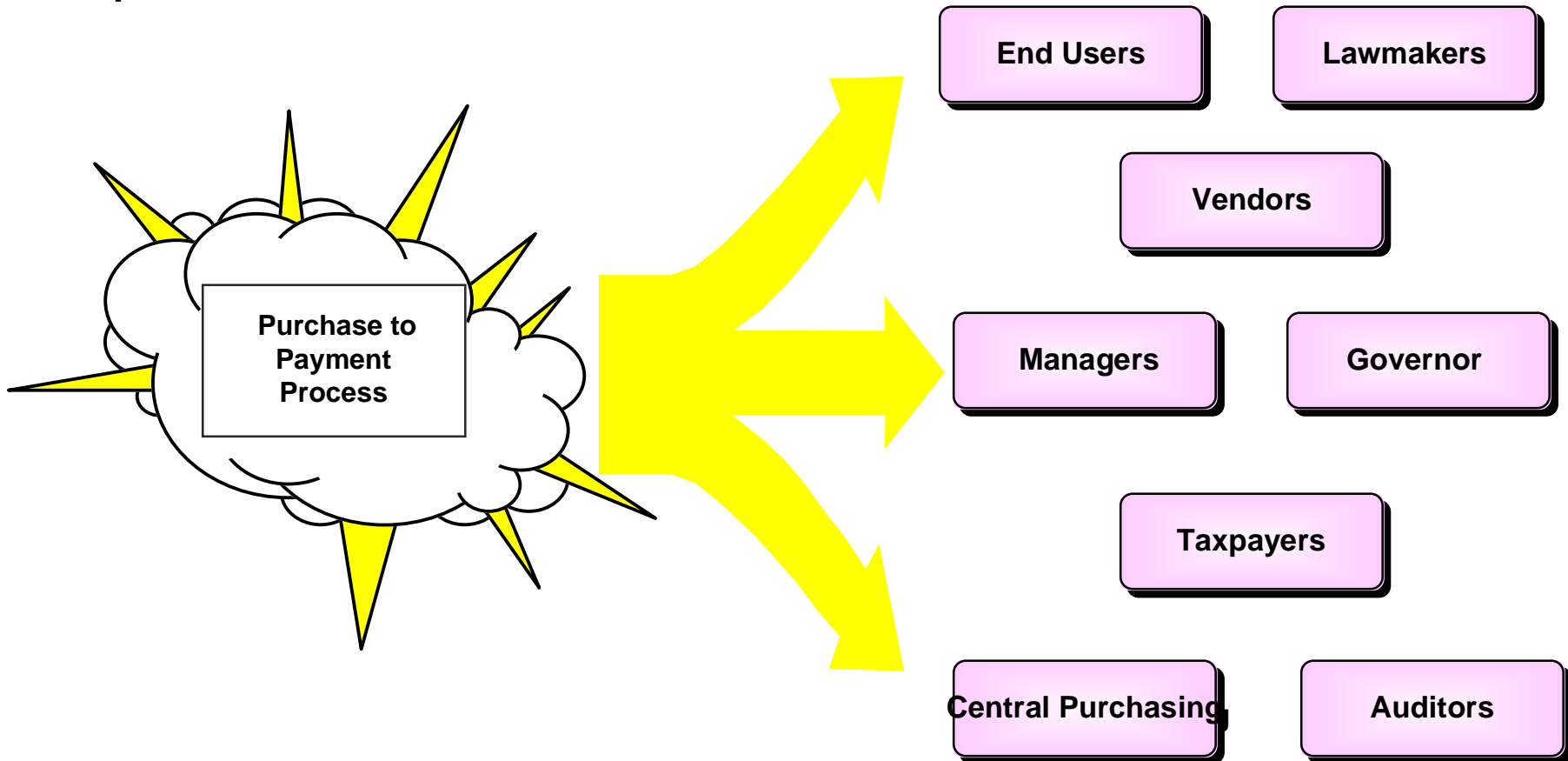
Appendix C - Impacts on Stakeholders

Reengineering the Purchase to Payment Process will affect each stakeholder group differently and dramatically. The following section summarizes the potential impacts.

End-users

- The Purchase to Payment Process will provide more flexible and responsive service coupled with increased responsibility and accountability.

- End-users will perform their own simple procurements and shape the definition of requirements for more complex procurements; however, they will also be accountable for meeting pre-defined performance targets.

- End-users will require on-going training and education programs to support their new role within the Purchase to Payment Process. They will have technology at their disposal to communicate electronically with Purchasing Professionals, vendors and other stakeholders as necessary.

Vendors

- The State will strive to establish positive relationships with its vendors. To support these relationships, vendors will be invited to enter into longer term and flexible contracts with the State.

- The State will strive to increase its use of electronic channels of communication and will urge its vendors to lead and to support initiatives designed to improve electronic commerce such as Electronic Data Interchange for ordering and invoicing and Electronic Funds Transfer for payment.

- Vendors will be asked to deal more directly with end-users and both the State and its vendors will be accountable to meet or exceed pre-defined performance targets.

Appendix C - Impacts on Stakeholders

Managers

- The Purchase to Payment Process will be managed according to specific performance measures, indicators and targets. This will allow process leaders to monitor and evaluate outcomes more easily.

- The enterprise application system will provide customized reporting and real-time monitoring of the process.

- Managers will be held accountable for the performance of the process.

Taxpayers

- Taxpayers will benefit from the focus on best value and ultimately reduced cost.

- This focus will allow Purchasing Professionals to make decisions which most benefit taxpayers.

- Taxpayers and all citizens of the State will benefit from improved service and reduced cycle times for the delivery of goods and services.

Appendix C - Impacts on Stakeholders

Central Purchasing

- The Purchasing Center of Excellence will serve as the single point of contact for Purchasing within the State. The Purchasing Professionals who staff this center of expertise will have broad job responsibilities and will be required to have knowledge of goods and services, professional services, leasing, bid preparation, contracts, etc.

- The Purchasing Professionals will act as advisors and analysts for end-users in the agencies; therefore, they will be expected to conduct market research and analysis in support of purchasing decisions including commodity pricing, market sector studies and other research.

- The staff of the Purchasing Center of Excellence will have access to an integrated enterprise wide information system and will be required to access information and generate management reports.

- Career development and management will be required to retain a core group of highly skilled and motivated employees within the center.

Lawmakers

- Certain laws, statutes and regulations that need to be reviewed, revised or removed in order to realize the vision.

- Provide improved services to taxpayers, increasing constituent satisfaction and improving the reporting mechanisms to provide more relevant and timely information with respect to Purchase and Accounts Payable.

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Appendix C - Impacts on Stakeholders

Governor

- There will be a requirement to review and potentially revise or remove certain laws, statutes and regulations in order to realize the vision.

- The Process will have a positive impact by providing improved relationships with external stakeholders which will increase constituent satisfaction. In addition, providing more relevant and timely information increases both the degree of consistency among policies and priorities and the transparency and accessibility of the State. Both should also have a positive effect on public perception.

Auditors

- The shift away from paper-based processes towards an electronic environment will impact the role of auditors in the new Purchase to Payment Process.

- Auditors will need to use electronic audit trails in the new processes, and emphasis will be placed on monitoring the performance of the process as opposed to the complete audit of all Purchase to Payment transactions.